Amendments to the Specification

Please replace paragraph **[0042]** with the following rewritten paragraph:

[0042] In operation ~~201~~S201, splitting threshold values are set for a 16x16 LMB by experiment. It is an aspect of the present invention to set two threshold values; a threshold value R_{thu1} to determine the possibility of splitting the LMB, and a threshold value R_{ths1} to determine whether to split the LMB. Since block splitting is performed to ensure the accuracy of estimation, the threshold values are preferably set based on mean absolute difference (MAD) ratios used in disparity estimation as described above. In this invention, MAD ratios calculated when splitting LMBs into MSBs and when splitting MSBs into SSBs are denoted by $R_{madsub1}$ and $R_{madsub2}$, respectively.